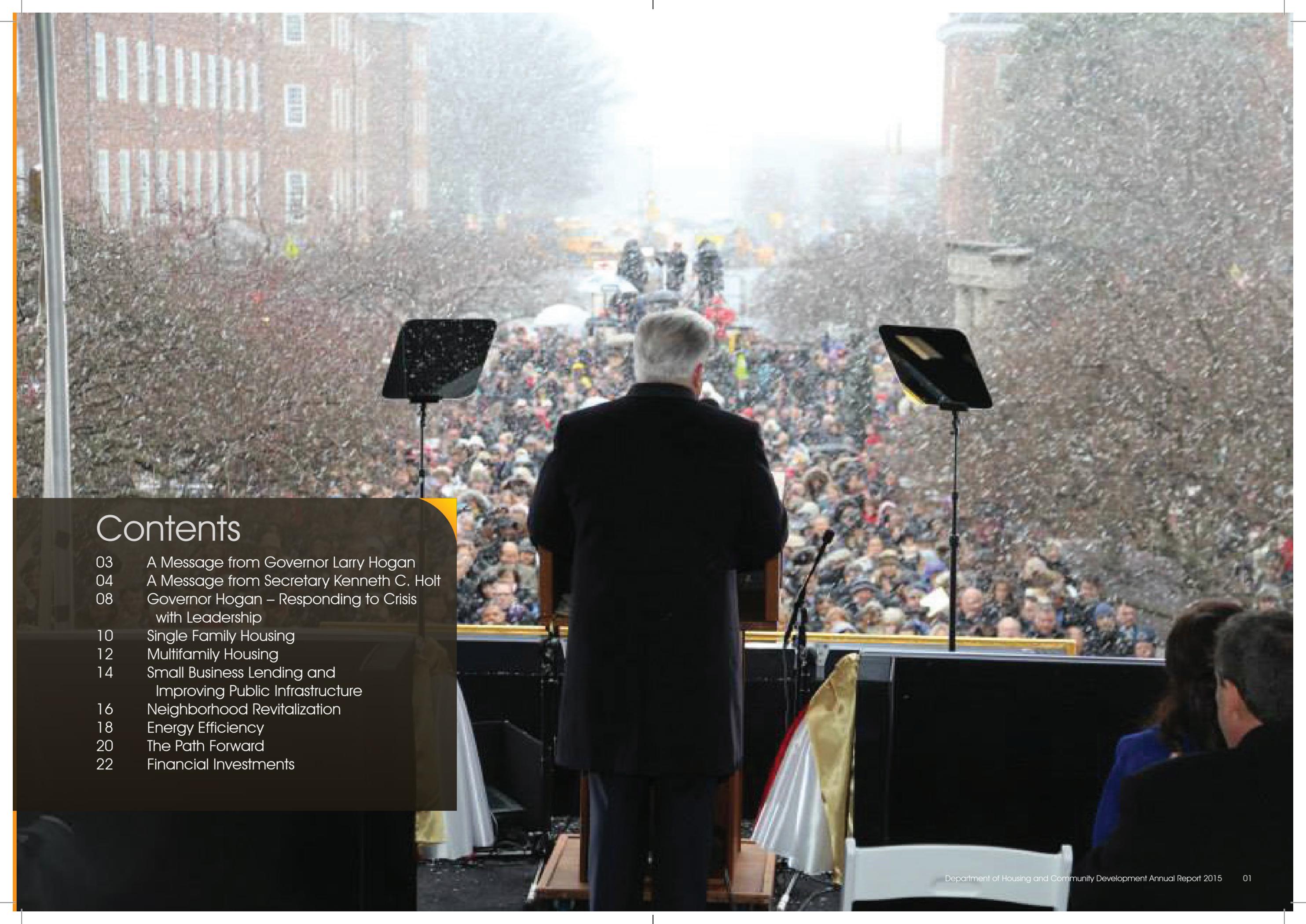




Changing Maryland for the Better
THROUGH HOUSING AND COMMUNITY DEVELOPMENT

ANNUAL REPORT 2015





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Larry Hogan
Governor of Maryland



A MESSAGE FROM GOVERNOR LARRY HOGAN

The Maryland Department of Housing and Community Development plays an important role in my administration's commitment to turning around our economy, assisting both job seekers and job creators and making it easier for families and small businesses to put down roots in our state. The department is working hard to change Maryland for the better by improving our housing market, assisting homeowners and renters, and supporting our big cities and small towns so that local economic development can succeed.

As we continue to work to improve the state's economy, my administration will support projects that meet the needs of our residents and strengthen our communities. Responsible, affordable rental housing, thriving local businesses and ongoing support for secure homes for seniors, individuals with disabilities and people at risk for homelessness – these are some of the components necessary for a better tomorrow that can be achieved through the work that the department does today in every area of the state.

It takes a strong network of committed public and private partners who are willing to make necessary investments over time to improve and sustain a better quality of life for all Marylanders. Through its work with small businesses, non-profit organizations, developers, builders and federal, state and local government agencies, the Maryland Department of Housing and Community Development is leading the way as we change Maryland for the better for generations to come.

Sincerely,

A handwritten signature in black ink that reads "Larry J. Hogan".

Larry Hogan

A MESSAGE FROM SECRETARY KENNETH C. HOLT

I am pleased to present the Maryland Department of Housing and Community Development's fiscal year 2015 annual report. As a measure of our impact on the economy and the people of the State of Maryland, this is one of the most important documents that we produce each year. I am proud of our accomplishments in this, the first year of Governor Hogan's administration. I look forward to even greater accomplishments in the years ahead.

It is a privilege to serve Marylanders and the unique, diverse communities where they live. Whether it is creating a pathway for working families to purchase a home or helping families find affordable rental housing; whether we are providing funds to remove vacant, blighted properties from our Main Streets or supporting non-profit organizations in their work; whether it is improving our cities and towns with better infrastructure or strengthening our small businesses, the Maryland Department of Housing and Community Development is dedicated to making Maryland better.

We will continue to create a powerful economic engine that propels Maryland forward. In every community and for every family, we are ready and able to help.

Sincerely,



Kenneth C. Holt



Kenneth C. Holt
Secretary of Housing





Governor Hogan – Responding to Crisis with Leadership



A few short months into his administration, Governor Hogan faced an unprecedented challenge – upheaval in the state’s largest city, destruction of property and the disconnect of a great many people from the opportunities Maryland has to offer. In the immediate aftermath, the governor responded quickly to restore peace and order and to help Baltimore rebuild.

The Maryland Department of Housing and Community Development was one of the first state agencies to answer Governor Hogan’s call to help Baltimore recover. Drawing upon resources from existing programs such as Neighborhood BusinessWorks and launching new initiatives such as the Maryland Business Recovery program that cut through bureaucracy and red tape, the department provided nearly \$1.4 million in zero-interest loans to affected businesses and non-profit organizations. A significant number of businesses in Baltimore City were able to recover, restock and help their employees through the crisis with assistance from the Hogan administration.

The department also provided storefront improvement grants for businesses in Baltimore City through the Maryland Business Recovery program as an additional part of Governor Hogan’s multi-pronged effort to promote recovery of Baltimore’s commercial districts. Property owners in the city’s commercial districts received up to \$10,000 for beautification projects such as exterior painting, masonry repairs, restoration of architectural details, replacement of windows and doors, awning and signage installation, exterior lighting and

other capital improvements. This effort employed architects and non-profit organizations to improve Baltimore’s commercial and retail aesthetics and promote job opportunities. Governor Hogan turned the challenges presented by the unrest into better opportunities for city residents.

That rapid response to a crisis exemplifies the Maryland Department of Housing and Community Development at work every day: rebuilding communities, stabilizing neighborhoods and providing critically needed financing to help small business owners expand, innovate and grow. The department’s work was particularly important in fiscal year 2015 as Maryland – and indeed the nation – slowly climbed out of the worst economic downturn since the Great Depression.

Through its support of single family homeownership, multifamily affordable housing, small businesses, local governments with infrastructure needs, and neighborhoods requiring revitalization, the Maryland Department of Housing and Community Development was able to improve more lives and more communities in 2015.





Single Family Housing



The department's single family programs help middle class families, particularly first-time homebuyers, purchase homes by providing affordable interest rate mortgages and down payment assistance through the Maryland Mortgage Program. These programs also help preserve existing housing through rehabilitation and maintenance assistance, making it easier for senior citizens and individuals with disabilities to enjoy the benefits of homeownership by making their homes safer, cleaner and more energy efficient.

Even as the state's housing market struggled to recover, the department increased the number of Maryland Mortgage Program loans by more than 50 percent, expanding opportunities for first-time homebuyers, veterans and military families, rural residents and families burdened by significant student loan debt.

For the first time ever, in 2015 Maryland Mortgage Program loans were written in each of the state's 24 jurisdictions and innovative products such as TriplePlay, DoublePlay and You've Earned It! opened opportunities for

homeownership to deserving families who might otherwise have felt locked out of the market and a better financial future.

The Maryland Mortgage Program is administered by the department's Community Development Administration and is funded by private capital raised through the sale of mortgage-backed securities and revenue bonds. Down payment assistance is generally funded through capital allocation from the state. Program loans are originated through the Maryland Mortgage Program's network of more than 70 private lending partners.

2015 HIGHLIGHT

Members of our lender network provided Maryland Mortgage Program loans to 2,348 families for more than \$444 million, a 63 percent increase over the \$273 million in loans in fiscal year 2014 and one of the department's best years since the great recession.

2015 HIGHLIGHT

The department launched the Maryland Mortgage Program TriplePlay initiative in Prince George's County, in partnership with the county and the Maryland Office of the Attorney General. Eligible homebuyers received a low interest Maryland Mortgage Program loan, down payment assistance of up to \$20,000 and a federal income tax credit of up to \$2,000. The initiative resulted in 550 new homeowners, many moving into Prince George's from outside the county.

2015 HIGHLIGHT

The Hogan administration was among the first in the nation to address the growing student debt crisis. The department launched an innovative program aptly named "You've Earned It!" that helped potential buyers – particularly members of the Millennial generation – who were saddled with student debt. Another version of the program was aimed at military families. The low interest rate and \$10,000 down payment assistance were huge attractions and the first phase of the program was fully reserved within two months.



Multifamily Housing



The department responded to the ever-increasing demand for affordable rental housing by providing financing for the production of nearly 3,000 units, a 23 percent increase over fiscal year 2014. Total project costs put more than \$593 million into the state's economy and created new jobs. Maryland continues to address the challenge of adequate affordable housing for hard-working families. Under the Hogan administration, the pipeline is expanding and more families are finding affordable rental homes in stable neighborhoods.

The department's affordable rental housing program provides financing for the construction and rehabilitation of affordable rental housing units for low to moderate income families, senior citizens and individuals with disabilities. The program issues tax-exempt and taxable mortgage revenue bonds to finance the acquisition, rehabilitation or construction of affordable multifamily rental housing in priority funding areas.

We responded to the growing demand for affordable rental housing by financing units all over the state, creating much-needed jobs and expanding opportunities for our citizens to live in quality, energy efficient housing in safe and desirable neighborhoods.

2015 HIGHLIGHT

We helped finance the production of 2,965 affordable rental housing units in 30 projects, putting more than \$593 million into the state's economy. This represented a 23 percent increase over the number of units produced in fiscal year 2014 and a 21 percent increase over that year's total project costs.

2015 HIGHLIGHT

We joined community leaders and residents celebrating the grand opening of Riverwoods at North East Apartments in Cecil County, a 76-unit garden-style apartment complex funded through the Rental Housing Production program and federal Low Income Housing Tax Credits.

2015 HIGHLIGHT

We celebrated the grand opening of Benet House Senior Apartments, the renovation and adaptive reuse of a former public school building in southwest Baltimore City. The project added 76 one-bedroom units and 25 efficiencies.

2015 HIGHLIGHT

We broke ground on the historic Marlborough Apartments. Built in 1907, the rehabilitation of the 11-story building will provide much-needed affordable housing for 224 hardworking families.

Mobile Solutions



Small Business Lending and Improving Public Infrastructure



With more than half a million firms in Maryland, small businesses are the engine that drives the state economy. They account for more than 52 percent of private sector jobs and a significant share of the state's economic production. In 2015, the department expanded its small business lending programs focused on bringing more jobs to Maryland.

The department made 23 loans to small businesses in fiscal year 2015, an increase of 32 percent over 2014. Those loans leveraged nearly \$49 million and created or preserved 564 jobs.

The Maryland Department of Housing and Community Development has unique tools to help entrepreneurs and small business owners stay and locate their businesses in Maryland.

Through the department's small business lending capabilities, we help turn a business plan into a brick-and-mortar storefront. Whether it is a start-up or business expansion, the department supports business owners through business-friendly programs that create jobs, strengthen communities and improve working families' bottom line.

The department's small business lending programs such as Neighborhood BusinessWorks, the Small Business Credit Initiative, the Microenterprise Loan Program, Maryland Capital Access and Linked Deposit provide critical gap financing for small businesses and non-profit organizations – helping to turn ideas and dreams into reality.

In addition to supporting job creators, another priority is to address and repair aging public infrastructure. The department nearly doubled assistance to local governments through its Local Government Infrastructure Finance program in fiscal year 2015. This program offers Maryland counties and municipalities a cost effective way to finance public purpose capital projects by pooling their buying power on the capital bond market. In 2015, the department provided more than \$40.3 million to six local governments.

2015 HIGHLIGHT

We made 23 loans to small businesses in Fiscal Year 2015, for more than \$5.2 million, an increase of 32 percent over 2014. Those loans were leveraged for nearly \$49 million and created or preserved 564 jobs.

2015 HIGHLIGHT

We provided a \$500,000 loan to help renovate the future home of the *Handlebar Café*, a combination café and boutique bike shop in Baltimore's trendy Fells Point community. Owned by champion racer Marla Streb and her husband Mark Fitzgerald, the bicycle-themed pub and bike shop is modeled after similar successful ventures in other parts of the country.

2015 HIGHLIGHT

Miller's Court in Baltimore, one of the department's largest Neighborhood BusinessWorks projects, won the gold medal in prestigious Ruby Bruner Award for urban excellence for the redevelopment of an abandoned manufacturing building into office space and affordable living units for public school teachers and non-profit organizations focused on education issues.

2015 HIGHLIGHT

We presented a \$15,000 zero-interest Micro-Enterprise loan to *Tops in Cellular*, making the mobile phone firm in Baltimore's Highlandtown community the first to receive assistance through the Maryland Business Recovery program in the aftermath of the civil unrest in Baltimore last spring.



Neighborhood Revitalization



The department continued to be a catalyst for change in communities throughout the state through programs such as Community Legacy, the Strategic Demolition fund and the Community Investment Tax Credit program. The department awarded more than \$10 million for those programs in fiscal year 2015, leveraging nearly \$64 million in additional public and private investment – a ratio of 6:1.

Our neighborhood revitalization programs support activities that protect and improve community amenities, maintain and enhance historic residential and commercial structures, provide public facilities, infrastructure and services. The Community Legacy program assists urban neighborhoods, suburban communities and small towns that are facing decline and disinvestment by helping them implement comprehensive revitalization plans and projects.

Through Community Development Block Grants, Community Services Block Grants, Emergency Solutions Grants and Home Owners Preserving Equity programs, the department awarded nearly \$27 million, leveraging more than \$245.6 million, a ratio of 9:1.

Through the neighborhood revitalization programs, the department works with local partners in the public and private sectors to bring new investment and economic vitality to the state's core communities and traditional downtown.

2015 HIGHLIGHT

The department awarded more than \$10 million for the Community Legacy, the Strategic Demolition Fund and the Community Investment Tax Credit program in fiscal year 2015, leveraging nearly \$64 million – a ratio of 6:1.

2015 HIGHLIGHT

The department awarded nearly \$27 million, through Community Development Block Grants, Community Services Block Grants, Emergency Solutions Grants and Home Owners Preserving Equity programs, leveraging more than \$245.6 million, a ratio of 9:1.

2015 HIGHLIGHT

We added nine communities to the state's roster of Sustainable Communities targeted for reinvestment: Betterton, Hurlock, Millington, Myersville, Northwest Gateways, Oxford, Perryville, Greater Riverdale, Sudlersville.

2015 HIGHLIGHT

The collapse of the housing market dealt a heavy blow to Maryland. But through our ongoing early intervention and outreach efforts, we provided foreclosure prevention counseling to 10,905 people through the Home Owners Preserving Equity program, achieving positive outcomes in more than 87 percent of those cases where counselors were able to work with beleaguered families through the completion of their case.

2015 HIGHLIGHT

We celebrated the symbolic lighting of the marquee of the Centre Theatre, the newest rehabilitated building in Baltimore's Station North Arts and Entertainment District.



Energy Efficiency



Saving Maryland families their hard-earned dollars is a pillar of Governor Hogan's administration. The department's energy efficiency programs provide financing for weatherization and whole-house retrofit improvements, as well as installation, replacement and upgrading of energy conserving appliances, including home heating and cooling systems for low-income households, multifamily rental buildings and small businesses and non-profit organizations. These programs help Marylanders keep more of their money while improving their homes.

2015 HIGHLIGHT

We invested more than \$19 million to weatherize and make energy efficiency improvements in 3,333 single family households and more than \$9.6 million in 2,106 multifamily apartments. Those multifamily improvements saved Maryland families an estimated 5,399 MWh and 88,156 Therms.

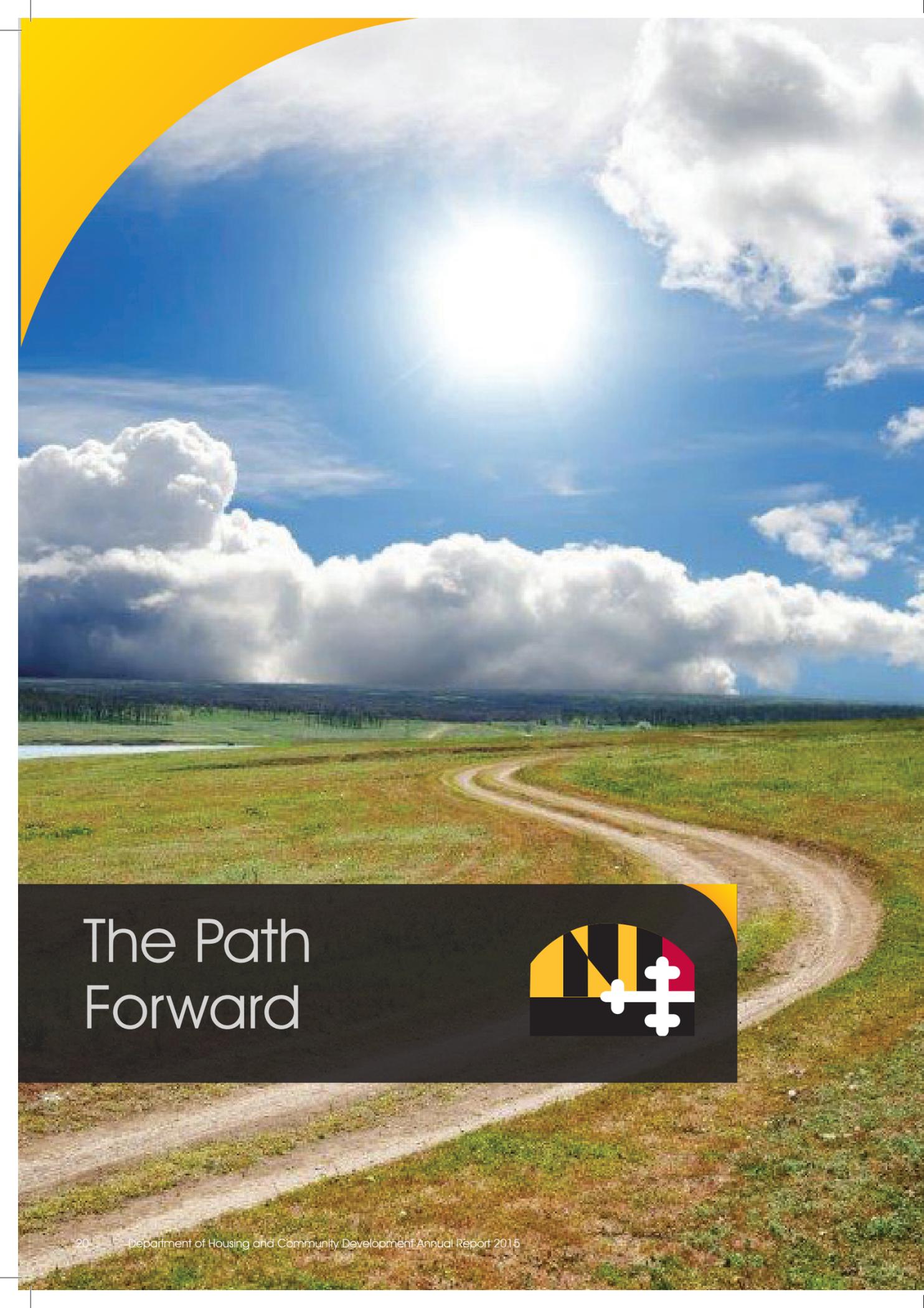
2015 HIGHLIGHT

The Public Service Commission approved our application for 2015-2017 EmPOWER Program funding of over \$83 million to provide weatherization and energy efficiency improvements in single family and multifamily dwellings.

2015 HIGHLIGHT

The Public Service Commission's 2015-2017 EmPOWER Order approves a commercial component under our Multifamily Energy Efficiency and Housing Affordability program allowing us to provide funding towards measures that will reduce the owner's energy use and utility costs in addition to the residents.





The Path Forward

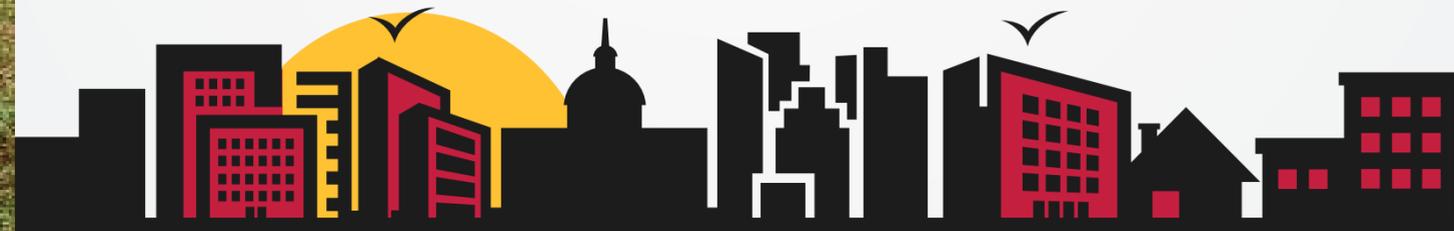


A healthy housing market is the key to a healthy economy.

Maryland was hit hard by the collapse of the national housing market. It left a devastating effect on the state's economy and on the bottom line of far too many families. But 2015 saw a sustained turnaround in the state's housing market and a sense of optimism for the future. The Hogan administration is committed to ensuring that Marylanders have safe, clean and affordable housing in stronger communities. By leveraging the tools that the department has to offer, this can be accomplished in every pocket of the state.

What does changing Maryland for the better mean to the average family?

It means that state government is working for them, clearing a path for our economy to thrive and families to grow.





Financial Investments



DHCD Financial Investments

RENTAL HOUSING DEVELOPMENT	FY 2015 (in millions)
Federal Low Income Housing 9% Tax Credit Equity	\$130.5
Multifamily Revenue Bond Loan Program	124.2
Federal Low Income Housing 4% Tax Credit Equity	109.7
Rental Housing Works Program	17.7
Rental Housing Loan Programs	10.9
Federal HOME Investment Partnership Program	8.6
Partnership Rental Housing Program	3.9
Shelter and Transitional Housing Program	2.2
	\$407.7
RENTAL SERVICES	
Federal Section 8 Programs - Performance Based Contract Administration	\$189.2
Federal Section 8 Programs - Housing Choice Vouchers	15.8
Miscellaneous Rental Services Programs	0.8
	\$205.9
HOMEOWNERSHIP AND SPECIAL NEEDS HOUSING	
Maryland Mortgage Program Mortgage Backed Securities	\$444.2
Downpayment Assistance Programs	13.6
Housing Programs for Individuals with Disabilities	2.9
Single Family Housing Rehabilitation Programs	2.3
Lead Paint Abatement Program	1.5
Maryland Affordable Housing Trust	1.2
State and Federal Group Homes Program	0.6
Federal HOME Investment Partnership Program	0.4
	\$466.71
ENERGY EFFICIENCY PROGRAMS	
EmPOWER MD Single Family Weatherization	\$11.7
Multifamily Weatherization Programs	6.2
Other Single Family Weatherization Programs	4.1
Federal Single Family Weatherization Assistance Program	4.1
	\$26.1
LOCAL GOVERNMENT FINANCE AND BUSINESS LENDING	
Local Government Infrastructure Finance Program	\$40.3
Neighborhood BusinessWorks	5.3
	\$45.6
NEIGHBORHOOD REVITALIZATION	
Community Services Block Grant	\$8.7
Federal Community Development Block Grant	7.6
Foreclosure Prevention Housing Counseling and Legal Aid	7.5
Strategic Demolition and Smart Growth Impact Fund	7.5
Community Legacy	6.0
State and Federal Emergency Solutions Grants	2.9
Baltimore Regional Neighborhoods Initiative	2.4
Rental Allowance Program	1.7
State Community Investment and Endow MD Tax Credit Programs	2.0
Miscellaneous Neighborhood Revitalization Programs	0.9
	\$47.6
FY 2015 DHCD Program Activity	\$1,199.6



